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Abundance and hard times

London

1908

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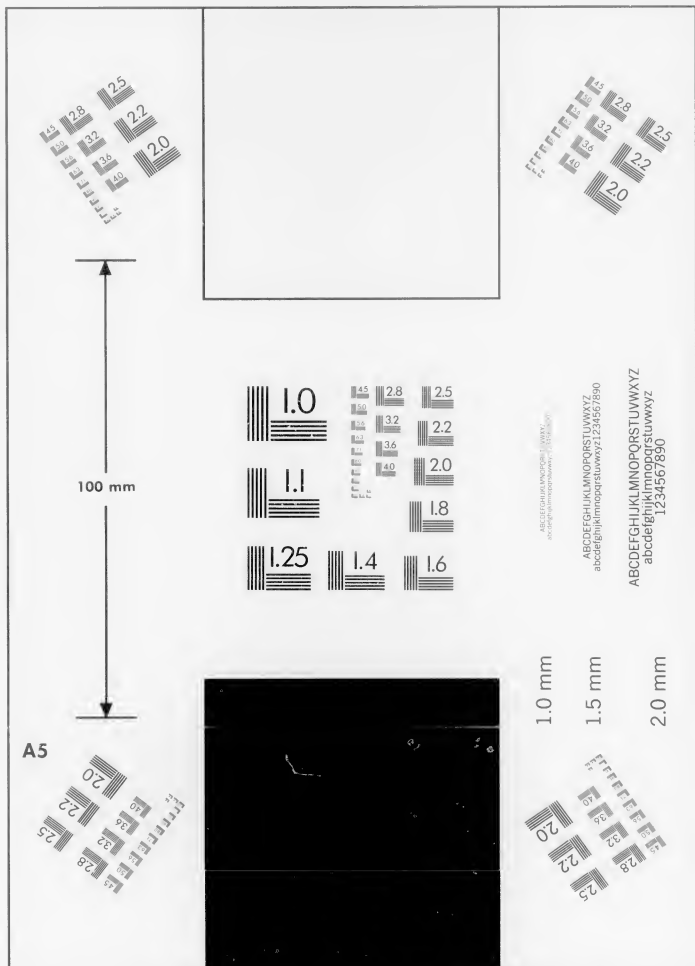
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Abundance and Hard Times

BY

JAS. C. SMITH

AUTHOR OF "THE DISTRIBUTION OF THE PRODUCE," "INTER-
TEMPORARY VALUES, OR THE DISTRIBUTION OF THE
PRODUCE IN TIME," AND "THE TRUST
AND THE GOLD TRUST"



LONDON

KEGAN PAUL, TRENCH, TRÜBNER & CO. LTD

DRYDEN HOUSE, GERRARD STREET, W.

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1911
ABUNDANCE AND HARD TIMES

"A reaction from the present abnormal activity all over the world is bound to come and bound to tell very disastrously upon industries even not now too lucrative."—*The Times*, May 1907.

"Here we find sufferings which can really be alleviated to a large extent by wise and well-sustained combination of efforts. . . . Social Union will be strengthened by the conception, because everyone will see that union forms our principal resource against the miseries of human life."—AUGUSTE COMTE.

I.

It is everywhere recognised that the nations are now enjoying a period of wonderful business prosperity. This world-wide activity in industry, commerce, and finance is so profitable that Consols, together with the best class of Investments which yield fixed but comparatively low rates of Interest, have been steadily declining in value, because business men everywhere are able to secure much better returns than 3 per centum per annum for the use of their Capital.

It is also everywhere recognised that sooner or later this period of prosperity must be followed by a period of reaction, of "hard times," of "trade depression."

The wealth-producing and exchanging resources of the nations, in men and materials, will remain constant or they will be increased; and the natural and social needs of the populations of the nations will remain constant or they will be increased; yet it is confidently predicted

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by those who ought to know, that a period of reaction is sure to come, when, throughout the realms of industry, commerce, and finance, work will be everywhere in some degree suspended; the area of Employment of both Labour and Capital will be comparatively contracted, and in a corresponding degree the area of Unemployment will be comparatively expanded.

In the degree in which this comparative contraction of the area of employment causes unemployment or increases the number of unemployed working-men, it thereby deprives them of the means of earning the incomes required to make suitable provision for satisfying the natural and social needs of themselves and their families.

"The Banks are full of money, the Bins are full of coal, the Barns are full of corn, the Warehouses are full of clothing,"¹ there are land and water transport facilities by means of which the National and International Exchanges are made, yet a considerable section of the people suffer through no fault of their own during these ever-recurring periods of "trade depression."

- (1) Why does the energy we put forth to develop the resources of a country make the toiling millions comparatively rich for ten years and then poor for five years?
- (2) Why are hard times coming in the midst of plenty?
- (3) Why do any of the toiling millions in the industrial hive starve when they may no longer work, when they are not needed to work because of the existence of vast surplus accumulations of

¹ Mr. J. W. Thornton on page 7 of *The Commoner* of the 27th July 1907, Lincoln, Nebraska, U.S.A.

all kinds of wealth (produced by the co-operation of these toiling millions with the other more fortunate workers, who legally control the whole produce resulting from their joint work) for which there is no effective demand from the toiling millions who, in the midst of plenty, are unemployed, and who are consequently without regular incomes wherewith to buy the things required to satisfy the natural and social needs of themselves and their families?

Within industrial society, as it at present exists, the two grand divisions of Working-men—distinguished as Capitalists or Labourers accordingly as they are primarily employed in administering the capital which is the inheritance of the present, or in executing the labour which is the contribution of the present—are brought together for purposes of industrial co-operation through the agency of *Entrepreneurs* or Employers, who secure for themselves the direction and control of both the capital and labour of society, and who also secure to themselves the custody and control of the entire produce of industry, by undertaking in advance to pay (a) fixed sums of money to Capitalists as value in exchange for the use of capital; and (b) fixed sums of money to Labourers as value in exchange for the service of labour.

The following are:—

- | | |
|------------------|------------------------|
| (1) Capitalists. | Bankers. |
| | Landlords. |
| | Transport Companies. |
| | Telegraph Companies. |
| | Insurance Companies. |
| | Bondholders generally. |

The following are:—

- | | | |
|--|---|-------------------------|
| (2) <i>Entrepreneurs</i>
or
Employers. | { | Manufacturers. |
| | | Iron Masters. |
| | | Master Builders. |
| | | Agriculturists. |
| | | Mining Companies. |
| | | Fishing Companies. |
| | | Trading Companies. |
| | | Shareholders generally. |

The following are:—

- | | | |
|----------------|---|----------------------|
| (3) Labourers. | { | Brain-Workers. |
| | | Hand-Workers. |
| | | Employees generally. |

Groups (1) and (2) constitute the Plutocracy, the propertied classes, the leisured few, of the nation.

Group (3) constitute the Proletariat, the disinherited masses, the toiling millions, of the nation.

The fixed sums of money paid for the use of capital include also any Interest or Rent due to *Entrepreneurs* or Employers for the use of any capital they may have invested in the enterprise—just as if such capital had been borrowed from some one else; and the fixed sums of money paid for the service of labour include also the Wages of Superintendence which *Entrepreneurs* or Employers pay to themselves as value in exchange for their special services of direction, control, and general management—just as if such Labour of Superintendence had been performed by some one else; and with this Wages of Superintendence *Entrepreneurs* or Employers provide for the natural and social needs of themselves and their families. But *Entrepreneurs* or Employers also receive in

addition to any Interest or Rent on Capital invested, and in addition to Wages of Superintendence for work done—the whole of the Profit, Surplus Wealth, or Dividend remaining over after all the necessary charges—Rent, Interest, Wages, Freight, Taxation, Insurance—have been fully paid.

Produce—(Rent + Interest + Wages + Freight + Taxation + Insurance) = Profit or Surplus Wealth.

Produce—Cost of Production = Profit or Surplus Wealth.

This Profit or Surplus Wealth resulting from the co-operative efforts of all the workers, and which should be the Joint-Property of all the co-operators—"unto each according to his work"—is to-day legally recognised as the Exclusive Property of *Entrepreneurs* or Employers, and in the distribution of Wealth is appropriated by them accordingly.

The periodic accumulation of this Profit or Surplus Wealth in the hands of Entrepreneurs or Employers is, in the opinion of this writer, the efficient cause of the periodic recurrence of "Hard Times," of "commercial crises," of "trade depressions," in the midst of Plenty.

During the continuance of every such crisis—and with the increasing productiveness of human industry commercial crises occur with increasing frequency—every branch of industry becomes more or less disorganised, and the various classes of working-men find themselves sharply divided into two great groups, the employed and the unemployed:—

Working-men.	{	Employed	{	Overpaid = Inflation or Waste.	
		Unemployed		Fully-paid = Equilibrium.	
				Underpaid	Depression or Want.
				Partly-cared-for	
		Destitute			

The remedy for the evil consequences of the EXCLUSIVE APPROPRIATION by Entrepreneurs or Employers, of the whole of the Profit or Surplus Wealth resulting from the co-operation of all the workers, in so far as it relates to contemporary transactions, is the establishment by law of a just and equitable system of Profit-Sharing, as part of the necessary and regular business relations between Entrepreneurs or Employers and their Employees, so that everywhere all the members of these two groups of working-men may be directly interested in the final product of their conjoined work, and the Employees, like the other Shareholders, participate regularly and periodically in the Profits, the Surplus Wealth, resulting from the general co-operation of all the working-men engaged in the industry and commerce of the country, according to the varying circumstances of production and exchange, as the reward of successful work.

In an essay entitled "The Distribution of Produce,"¹ dealing with the problem of the equitable division of wealth between Employers, as the representatives of the element capital, and Employees, as the representatives of the element labour, there is set forth and advocated a system of Profit-Sharing—*The Wage Co-operative System*—illustrating in detail the application of the system to the actual operations of business under existing industrial and commercial conditions, showing the division of the Total Profit, Surplus Wealth, or Dividend realised between Employers and Employees, showing also the division of the portion of the Profit due to the Employees among all of the working-men, having regard to the diversity of

¹ Published by Messrs. Kegan Paul, Trench, Trübner & Co. Ltd., London, 1892.

their industrial and commercial functions, and to the varying degrees of skill and efficiency of the several working-men, embodying the system in the following symbols and formula:—

Symbols:—

A = Total amount of Profit or Dividend.

B = Total amount of Wages of Employees.

C = Total amount of Wages of individual working-man.

D = Portion of Profit or Dividend due to individual working-man.

Formula:—

$$(1) \quad \frac{A}{2} \div B \times C = D.$$

$$(2) \quad \frac{A}{2} \times C \div B = D.$$

$$\frac{\text{Profit}}{2} \div \text{Total amount of Wages} \times \text{Wages of Individual} \\ = \text{Portion of Profit due to Individual.}$$

Illustration.

MANUFACTURING INDUSTRY.¹

Time, 1 Year = 313 Working Days.

INVESTMENT OF ENTREPRENEUR OR EMPLOYER:—

Circulating Capital	£3000	0	0
Fixed Capital—Machinery	1000	0	0
<i>Total Investment</i>	<u>£4000</u>	<u>0</u>	<u>0</u>

¹ "A farmer is a wheat manufacturer, who, among other tools which serve him in modifying the materials from which he makes the wheat, employs one large tool, which we call a field."—SAY.

EMPLOYMENT OF LABOUR:—

5	Labourers at 4s. per diem each—313 days =	£313	0	0
4	" " 6s. " " —313 " =	375	12	0
1	" " 10s. " " —313 " =	156	10	0

10

Wages of Manipulation—Employees	£845	2	0
" " Superintendence—Employer at per annum	500	0	0

Total Wages	£1345	2	0
Cost of Materials	1254	18	0
Taxes	100	0	0
Insurance of Investment at 1 per cent.	40	0	0
Freight	40	0	0
Rent of Premises	100	0	0
Interest on Capital Invested at 3 per cent.	120	0	0
Allowance for Wear and Tear of Machinery at 5 per cent.	50	0	0

Cost of Production	£3050	0	0
Price of the Produce	3386	5	6

PROFIT, SURPLUS WEALTH OR DIVIDEND	£336	5	6
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Portion of the Profit due Employer, representing the element Capital	£168	2	9
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Portion of the Profit due Employees, representing the element Labour	£168	2	9
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DISTRIBUTION OF THE PORTION OF THE PROFIT OR SURPLUS WEALTH DUE TO THE ELEMENT LABOUR—WAGE CO-OPERATIVE SYSTEM.

Portion of Profit due to the Element Labour = £168 2s. 9d. = 2s. 6d. Rate of Profit in the £ of Wages.
 Total amount of Wages = £1345 2s. 6d. = 2s. 6d. Rate of Profit in the £ of Wages.

Number of Employers.	Number of Days Employed.	Rate per Wages per (Item).	Amount of Wages Received.	Portion of Profit due to the Individual at the Rate of 2s. 6d. in the £ of Wages.	Gross Incomes, Wage Co-operative System.		Comparative Statement.	
					£ s. d.	£ s. d.	Gross Incomes, Wage Co-operative System.	Gross Incomes, Wage Co-operative System.
1	313	4s.	62 12 0	7 16 6	£ s. d.	£ s. d.	£ s. d.	£ s. d.
1	313	4s.	62 12 0	7 16 6	70 8 6	70 8 6	62 12 0	62 12 0
1	313	4s.	62 12 0	7 16 6	70 8 6	70 8 6	62 12 0	62 12 0
1	313	4s.	62 12 0	7 16 6	70 8 6	70 8 6	62 12 0	62 12 0
1	313	6s.	93 18 0	11 14 9	105 12 9	105 12 9	93 18 0	93 18 0
1	313	6s.	93 18 0	11 14 9	105 12 9	105 12 9	93 18 0	93 18 0
1	313	6s.	93 18 0	11 14 9	105 12 9	105 12 9	93 18 0	93 18 0
1	313	10s.	156 10 0	19 11 3	176 1 3	176 1 3	156 10 0	156 10 0
10								
Wages of employees			845	2	0	850	14	9
Wages of employer			500	0	0	500	12	9
Total amount of wages			1345	2	0	1350	7	6

Wages of Superintendence	£500	0	0
Portion of Profit due to the Element Labour	62	10	0
Interest on Capital Invested	£120	0	0
Profit due to the Element Capital	168	2	9
Total amount of Wages x Wages of Individuals = Portion of Profit due Individual.	£850	12	9

Wages of Superintendence	£500	0	0
Interest on Capital Invested	120	0	0
Profit of the Employer (Capital)	336	5	6
Total	£456	5	6

Under this system of Profit-Sharing the portion of the Profit or Surplus Wealth due to the whole body of Employees, representing the element labour, would be equal to the portion of Profit or Surplus Wealth due to the whole body of Employers representing the element capital; and consequently the portion of the Profit or Surplus Wealth accruing to Employees, the toiling millions, would constitute effective demand for the portion of the Profit or Surplus Wealth accruing to Employers, and would regularly and constantly most effectually prevent the periodic recurrence of the "Hard Times," the "commercial crises," the "trade depressions," resulting from over-production.

Only when we shall have *established by law a just and equitable system of Profit-Sharing* will hard times cease to come in the midst of plenty; will abundance cease to operate so as to deprive millions of willing and capable toilers of the opportunity to work for the incomes needed to provide for the natural and social needs of themselves and their families.

"Until labourers and employers perform the work of industry in the spirit in which soldiers perform that of the Army, Industrial life will never be moralised, and Military life will remain what, in spite of the anti-social character of its direct object, it has hitherto been—the chief school of moral co-operation."¹

If this permanent increase of wealth be secured to Employees by law, the State could rightly claim to *control its use* to the extent of collecting at its source and "ear-marking" a considerable portion of this pro-

¹ John Stuart Mill, "The Positive Philosophy of Auguste Comte," p. 135.

perty in aid of any system of State-provided Old-Age Pensions which might be established; and in so utilising a portion of the Surplus Wealth resulting from the general co-operation of all classes of working-men, it could rightly maintain that such pensions had been actually earned by the recipients.

II.

In matters relating to inter-temporary transactions, in dealings between lenders and borrowers, between debtors and creditors, the intermittent but permanent influence of the existing legal tender provisions of the coinage laws of the nations, establishing the Single Standard Money System (whether mono-metallic with the single monetary unit, or bi-metallic with the double monetary unit) under which (1) the value of money varies *inversely* with value of commodities, rising as the value of commodities falls, and falling as the value of commodities rises; but under which (2) no provision is made for regulating and adjusting, at the time of the maturity of inter-temporary transactions, the variations of values in time, which no one can *foreknow*, according to some "*reasonably mutual principle*," operates so as to enable the creditor classes to participate excessively in the Profit or Surplus Wealth of the nations in the degree in which (3) the reduced cost of production resulting from all the improved applications of science to industry and commerce, and (4) the reduction in the price of commodities resulting from the *abundance* of all kinds of commodities produced, secures for them, in exchange for a fixed sum of gold or silver money, the

command over a greater quantity of commodities of equal quality at the maturity of a loan or other inter-temporary transactions than the same fixed sum of money had commanded at the date or commencement of such transaction.

During the period of *rising prices* which began in about 1850, after the discoveries of gold, in California and Australia, and continued, while the mints of the nations remained open to the free and unlimited coinage of both gold and silver into full legal tender money on *private account*, until 1871-73, this intermittent but permanent influence of the legal tender provisions of the coinage laws of the nations under the Single Standard Money System, which operates in favour of the creditor classes, was neutralised and in some degree reversed.

After 1871-73 when the world's effective currency legislation, hostile to the unlimited use of silver as full legal tender money, began to be enacted, which closed the mints of the nations to the free and unlimited coinage of silver into full legal tender money on *private account*, a period of falling prices began, which continued without sensible interruption until 1896; and although a new period of rising prices began after 1896 and continues until now, yet the *Price Level for the year 1906 and up to August 1907* has not yet reached the *Price Level for the year 1871*; although the world's production of gold during the period of thirty-six years from 1871 to 1906 has been £1,264,253,391 out of a total production of gold throughout the world of £2,415,097,193 during the period of 414 years from 1493 to 1906.

The monetary policy which has prevailed throughout the Western civilisation since 1871-73 provides for:—

- (a) The fixing by law of a *minimum price* for gold only.

- (b) The creation of unlimited markets for gold only at this minimum price.
 (c) The progressive expansion of the area of the gold-money-using countries.
 (d) The restricting of the supply of full legal tender silver money.
 (e) The progressive contraction of the area of the silver-money-using countries.

The permanent influence of this monetary policy operates steadily to depress prices and so secure to the creditor classes a greater command over all kinds of commodities.

Under the conditions established by the laws of the nations the development of modern Finance as the paramount force influencing most potently all industrial and commercial operations was foreseen by Auguste Comte more than fifty years ago, who, in his plan of social reorganisation, vested the supreme Temporal Power within each nation "in a Triumvirate of the three principal bankers";¹ and to-day one of the proposals put forward by the group of persons who are taking part in what is called the Second Peace Crusade is "the refusing of loans to any Power that resorts to hostilities without first trying to avert war by calling in special mediators."²

For practical purposes the United Kingdom must be placed among those countries which *do not* produce gold.

Under the provisions of Sections 4 and 6 of "The Coinage Act, 1870," only gold coins of standard weight

¹ John Stuart Mill, "The Positive Philosophy of Auguste Comte," p. 152.

² *The Review of Reviews*, April 1907, p. 353.

and fineness are unlimited legal tender in payment of debts within the United Kingdom; so that of all the wealth produced in the United Kingdom no portion of it is available, as unlimited legal tender, for discharging debts due and payable within the United Kingdom.

Furthermore, under the provisions of Section 8 of "The Coinage Act, 1870," gold, which is not one of the products of the United Kingdom, may be freely converted into *unlimited* legal tender money, on PRIVATE ACCOUNT, in unlimited quantities, at a price fixed by law—viz. £3, 17s. 10½d. per oz. of standard fineness. These provisions of the law fix the legal tender-value, or debt-paying power of gold, however its exchange value, or general purchasing power may vary; so that every ounce of gold legally discharges a fixed amount of debt.

Neither *wheat* nor any other product of any industry of the United Kingdom has a fixed debt-paying power, so that the farmer, together with every other producer of wealth within the United Kingdom, CANNOT FORE-KNOW how much debt his quarter of *wheat*, his ton of *iron* or *steel*, or his cwt. of *wool* will discharge; but the producer of gold *foreknows exactly* how much debt every ounce of his *gold* will discharge.

The suggestion supported by several members of the House of Commons, during the debate on the Finance Bill in June 1907, that the *Death Duties* on REALTY should be paid in *land*—not in gold money—was not accepted by the Government. However, the pressure of taxation and of international competition will continue when the present period of prosperity, with the Price Level of Commodities steadily rising, and the

Price Level of Consols and other similar securities steadily falling, will have been followed by a period of "trade depressions," with the Price Level of Commodities steadily falling, and the Price Level of Consols and other similar securities steadily rising, as during the period which ended in 1896; under such conditions there will arise an insistent demand—particularly from the group of *Entrepreneurs* or Employers, and the vast and varied interests dependent upon them, who are now specially profiting by the steady rise in the Price Level of Commodities—for the establishment of the Double Standard Money System as the reciprocal of the provisions of Section 8 of "The Coinage Act, 1870," or for some other similar modification of the legal tender or debt-paying function of money.

Since 1871-73 the currency legislation of the nations demonetising silver, or closing their mints against the free and unlimited coinage of silver into full legal tender money on *private account* at a price fixed by law, has positively contracted the supply of metallic money among the nations to the full extent of the limit which has been placed upon the production of silver *by the decrease in its legal-tender value or debt-paying power* from the constant minimum price fixed by law of 60·875d. per oz. (which was also about its average market value for nearly two hundred years prior to 1871-73) to any of the *fluctuating lower prices* at which silver has been sold in the open market during the whole period from 1871-73 to the present time.

Furthermore, the practical effect of the currency legislation, which has established gold mono-metallism as the basis of the Single Standard Money System

throughout the Western civilisation, has been (1) to destroy the use of silver as money in the settlement of all *international* transactions, and (2) to extend the British monetary system (which from its establishment in 1816 to 1871 operated effectively *only within* the United Kingdom, silver being available as the basis of international business dealings with the United Kingdom) to the whole of the West, to India and to Japan, with the result that the scramble among the nations for gold, to take the place of silver in all *international* dealings, and for the large and more important national dealings also, has become so great that, notwithstanding the enormous production of gold since 1871, and the still steadily increasing annual production of gold, which, it is estimated, will again double itself during the period from 1906 to 1916, there is still the *universal financial pressure*, and the international competition for gold continues to be most abnormally keen.

After thirty-six years of progressive gold mono-metallism difficulty is experienced by the bankers, even on the great "Free Market" for gold, in maintaining at reasonable cost sufficient reserves of gold to provide the necessary *metallic money* upon which must rest those vast, complicated, ever-expanding and ever-increasing structures of national and international business and credit which grow out of modern industrial and commercial conditions.

The signs of the times indicate clearly that the policy of gold mono-metallism for all the nations, which has dominated both the national and international situations since 1871-73, is not a permanently satisfactory solution of the money problem.

The *remedy*, for correcting this intermittent but permanent influence of the legal tender provisions of the coinage laws, which operates so as to enable the creditor classes to command larger and larger quantities of commodities of good quality in exchange for fixed sums of money, as industrial, commercial, and financial efficiency reduces cost of production, and as abundance lowers the prices of commodities, *for solving this problem of the just and equitable legal tender or debt-paying function of money*, can only be found in the amendment of the legal tender provisions of the coinage laws so as to establish the *Double Standard Money System*, under which suitable and sufficient provision shall be made for regulating and adjusting all inter-temporary transactions by requiring that in every *inter-temporary transaction* there shall be a (1) double standard of value—(a) money, and (b) some other article of physical wealth *other than gold* (or in the event of the establishment by international agreement of the monetary conditions which existed prior to 1871-73, *other than gold or silver*) to be selected, agreed upon, and recorded at the commencement or date of the transaction; requiring also that at the maturity of such a transaction there shall be (2) an equal division between creditor and debtor, between lender and borrower, of any variation in the value of the article of *physical wealth* so selected, agreed upon, and recorded, in comparison with money, as determined from an *Official Price Current*, embracing every staple article of industry and commerce, to be *published daily*—by a Department of Values which should be added to the Treasury or Board of Trade of every nation—in the same manner as the prices of wheat, barley, and oats are now regularly published in

the *London Gazette*, so as to regulate and determine the sum of money payable to the *tithe-owner* under the provisions of the tithe commutation laws.

For determining standard value at the time of periodic or final payment of the principal and interest due on account of national or municipal loans, the Board of Trade *General Index Numbers* could be used, together with money, in all such transactions; and any of the Board of Trade *Group Index Numbers* could be used, together with money, in any transaction where the joint interest involved would thereby be more equitably represented and adjusted than by the use of any single article of physical wealth together with money.

In an essay¹ entitled "Inter-Temporary Values; or, The Distribution of the Produce in Time," dealing with the distribution of wealth between lenders and borrowers, between creditors and debtors, there is set forth and advocated the establishment of the *Double Standard Money System*, with illustrations in detail showing its application to "the actual operation of business under existing industrial and commercial conditions," and embodying the system in the following symbols and formula:—

Symbols:—

E=The Money value of the transaction at the commencement or date thereof.

F=The quantity of the article of physical wealth selected, agreed upon, and recorded of the money value of the transaction at the commencement or date thereof.

¹ Published by Messrs. Kegan Paul, Trench, Trübner & Co. Ltd., London, 1906.

G=The price of the standard unit of the article of physical wealth selected, agreed upon, and recorded at the commencement or date of the transaction.

H=The price of standard unit of the article of physical wealth selected, agreed upon, and recorded at the maturity of the transaction.

I=The standard money value, or the present worth of the transaction at maturity.

J=The quantity of the article of physical wealth selected, agreed upon, and recorded of the standard money value, or the present worth of the transaction at maturity.

Formula:—

$$(1) \left(\frac{E \times H}{G} \right) + E \div 2 = I.$$

$$(2) \left(\frac{F \times G}{H} \right) + F \div 2 = J.$$

Problem:—

At commencement or date of the transaction:

£1000 = money value of the transaction.

500 qrs. of wheat = quantity of selected article of physical wealth of equal money value.

40s. per qr. = price of standard unit of selected article of physical wealth.

At maturity of transaction:

30s. per qr. = price of standard unit of selected article of physical wealth.

(1) What is the standard money value, or present worth of the transaction at maturity?

(2) What is the quantity of the selected article of physical wealth of equal standard money value at the maturity of the transaction?

Solution:—

(1) $\left(\frac{£1000 \times 30}{40}\right) + £1000 \div 2 = £875 =$ standard money value.

(2) $\left(\frac{500 \text{ qrs.} \times 40}{30}\right) + 500 \text{ qrs.} \div 2 = 583\frac{1}{3} \text{ qrs.} =$ quantity of wheat of equal standard money value.

Under the existing Single Standard Money System the settlement of the transaction would be represented as follows:—

(1) £1000 stg. = money value.

(2) $666\frac{2}{3} \text{ qrs.} =$ quantity of wheat of equal money value.

In this case the whole of the loss resulting from the depreciation of wheat in comparison with money is suffered by the debtor, and the corresponding gain is appropriated by the creditor.

Problem:—

At commencement or date of the transaction:

£1000 = money value of the transaction.

250 tons pig iron = quantity of selected article of equal money value.

80s. per ton = price of standard unit of selected article of physical wealth.

At maturity of the transaction:

90s. per ton = price of standard unit of selected article of physical wealth.

(1) What is the standard money value or present worth of the transaction at maturity?

(2) What is the quantity of the selected article of physical wealth of equal standard money value at the maturity of the transaction?

Solution:—

(1) $\left(\frac{£1000 \times 90}{80}\right) + £1000 \div 2 = £1062\frac{1}{2} =$ standard money value.

(2) $\left(\frac{250 \text{ tons} \times 80}{90}\right) + 250 \text{ tons} \div 2 = 236\frac{1}{3} \text{ tons} =$ quantity of pig iron of equal standard money value.

Under the existing Single Standard Money System the settlement of this transaction would be represented as follows:—

(1) £1000 stg. = money value.

(2) $222\frac{2}{3} \text{ tons} =$ quantity of pig iron of equal money value.

In this case the whole of the gain resulting from the appreciation of pig iron in comparison with money is appropriated by the debtor, and the corresponding loss is suffered by the creditor.

Under the Double Standard Money System, in the problems solved, the loss resulting from the depreciation of wheat in comparison with money is divided equally between creditor and debtor; and the gain resulting from the appreciation of pig iron in comparison with money is also equally divided between creditor and debtor. Are not these results "reasonably mutual"? Is not the *Double Standard Money System* the equitable system in all inter-temporary transactions?

Problem :—

At commencement or date of the transaction :

£1000 stg. = money value of transaction.

£1000 stg. = quantity of National or Municipal
Loan of equal money value.

110 = Board of Trade General Index Number.

At maturity of the transaction :—

118 = Board of Trade General Index Number.

(1) What is the standard money value or present
worth of the transaction at maturity?

Solution :—

$$(1) \left(\frac{£1000 \times 118}{110} \right) + £1000 \div 2 = £1036_{11}^4 \text{ stg. =}$$

standard money value.

Under the existing Single Standard Money System
the settlement of this transaction would be represented
as follows :—

(1) £1000 stg. money value.

In this case the whole of the *gain* resulting from the
appreciation of commodities generally, in comparison with
money, is appropriated by the Taxpayers, and the corre-
sponding *loss* is suffered by the Bondholders.

Problem :—

At the commencement or date of the transaction :

£1000 stg. = money value of the transaction.

£1000 stg. = quantity of National or Municipal Loan
of equal money value.

110 = Board of Trade General Index Number.

At the maturity of the transaction :

70 = Board of Trade General Index Number.

(2) What is the standard money value or present
worth of the transaction at maturity?

Solution :—

$$(2) \left(\frac{£1000 \times 70}{110} \right) + 1000 \div 2 = £818_{11}^2 \text{ stg. = stan-}$$

dard money value.

Under the existing Single Standard Money System
the settlement of this transaction would be represented
as follows :—

(2) £1000 stg. = money value.

In this case the whole of the *loss* resulting from the
depreciation of commodities generally, in comparison with
money, is suffered by the Taxpayers, and the correspond-
ing *gain* is appropriated by the Bondholders.

Under the *Double Standard* Money System, in the
problems solved, the *gain* resulting from the *appreciation*
of commodities generally, in comparison with money, is
divided equally between the Taxpayers and the Bond-
holders; and the *loss* resulting from the *depreciation* of
commodities generally, in comparison with money, is
also equally divided between the Taxpayers and the
Bondholders.

Of values distributed in Space every one interested
may be thoroughly informed, may *know* daily what are
the actual variations of value as they are flashed with
lightning rapidity throughout the length and breadth of
the realms of industry and commerce. But of values
distributed in Time, no one can *foreknow* what their
variations will be; hence the justice and the necessity
of the *Double Standard* Money System, in all inter-tem-
porary transactions, in determining Standard Value.

Under the *Double Standard Money System*, neither the creditor nor the debtor could be the exclusive loser or gainer by the creation of fictitiously high or low prices; all the permanent industrial and commercial interests would readily co-operate to secure the utmost stability of prices, and also to expel the *Gamblers* from the Markets and Exchanges of the World.

The *Double Standard Money System* will, in every instance, distribute equitably between creditor and debtor either the gain or the loss resulting from either the appreciation or the depreciation of every article of wealth; dividing equally between them alike the "*unearned increment*" and the "*unexpended shrinkage*." Is not this the Standard of the honest payment? Is not this the Standard of the just claim?

Under the *Single Standard Money System*, *abundance*, though beneficial to the objective interests of the nation, means loss, and so injury to the subjective interests of the producer more often than otherwise; but *scarcity*, though injurious to the objective interests of the nation, means profit, and so benefit to the subjective interests of the producer more often than otherwise. Hence the effort of the Trust to regulate, control, and limit production.

I claim for the *Double Standard Money System* that, in all inter-temporary transactions, in all business dealings in which there is the element *Credit*, it possesses all the merits of the *Single Standard Money System*, without any of its defects; and all the merits of the *Metayer System* of distribution at its best, without any of its defects.

One of the chief merits of the *Double Standard Money*

System is, that it will effectually secure the undivided influence of the Capitalist interests, that is to say, of the *Creditor Classes*, in favour of *stability of prices*, and against all forms of speculative gambling in the staple articles of trade.

Under the *Double Standard Money System* both the creditor and debtor classes would stand to lose or to gain *simultaneously*, and so, to prevent business losses, would constantly and regularly co-operate so as to secure the utmost stability in prices, and in this way the at present conflicting interests of the captains of industry, commerce, and finance would be reconciled. There would then be the active disposition among the members of these classes to take in hand the work of organising the national armies of industry, commerce, and finance, so that the resources of the nation in men and materials could be operated, with singleness of purpose and definiteness of aim, to the end that the utmost quantity and variety of wealth of good quality could be regularly and constantly produced—(1) to provide for all the reasonable and varied requirements of all the members of all the diverse classes of workers—capitalists, *entrepreneurs*, labourers; (2) to provide for all casualties, including suitable and sufficient maintenance for all non-effectives; (3) to provide for all public services, National, Local, or Municipal; and (4) to provide a reserve so as to extend our internal and external business from time to time as opportunities offer or circumstances demand.

Industrial, commercial, and financial *co-operation* is the need of the present hour; to secure effective and efficient co-operation between the three great groups of workers there must be the establishment by law of (1) the *Double*

Standard Money System regulating inter-temporary dealings and harmonising the interests of creditors and debtors, lenders and borrowers; and (2) Profit-Sharing—the Wage Co-operative System—regulating contemporary dealings and harmonising the interests of employers and employees. It is because of the absence of any direct and immediate interest on the part of employees in the *final product* of their work, under the existing Wage System, that the best results, reasonably anticipated, are not realised in the huge organisations which must dominate the industry, commerce, and finance of the future.

“The eye of the Owner fatteneth the Ox.”

Only when every “eye” operating within these huge organisations is, in some degree, the “eye of the owner,” will avoidable waste, of both time and materials, cease, and the resulting “ox” become as fat as possible, fulfilling our reasonable expectations and benefiting alike both Employers and Employees.

The combined influences of the legal establishment of the Wage Co-operative System of Profit-Sharing and the Double Standard Money System (1) would create more harmonious relations between all classes within the three great groups of workers as a consequence of the existence of a more equitable system of distributing the *Surplus Wealth* produced by, and resulting from the effective co-operation of all classes of working-men; (2) they would promptly arrest the decline in the value of Consols, together with other similar investments which yield fixed but low rates of interest; and (3) they would permanently (a) narrow the range of their fluctuations, and (b) secure greater stability to the value of *unwatered* Stocks

and Bonds representing solid properties. These are valuable and important considerations, particularly to a State which collects a considerable portion of its revenues by means of Estate duties.

III.

Why do hard times come in the midst of plenty?

Because, under the existing economic conditions, *established by law*, under the Wage Competitive System, in all contemporary dealings, *there is the exclusive appropriation of the Profit, the Surplus Wealth, the Dividend*, resulting from the co-operation of all classes of workers, directly and immediately, (a) by *Entrepreneurs* or Employers who undertake to pay in advance fixed sums of money, for the use of capital and for the services of labour, in full satisfaction of the claims of capitalists and labourers; and under the Single Standard Money System, in all inter-temporary transactions, indirectly and ultimately, (b) by Capitalists as one of the results of the operation of the legal tender provisions of the coinage laws of the nations, which secures the intermittent but permanent appreciation of money, thereby giving to Capitalists, who are the *Creditor Classes* of the nation, an intermittently but permanently increasing control over all commodities, as industrial, commercial, and financial *efficiency* reduces cost of production and as *abundance* reduces price.

The remedy for these evil consequences, which are inseparable from the existing Wage Competitive System and Single Standard Money System, is the *establishment by law* of (a) the Wage Co-operative System of Profit-Sharing, and (b) the Double Standard Money System;

the combined influences of these will, popularly, regularly, and systematically, regulate the distribution of wealth—between employers and employees, and between creditors and debtors, lenders and borrowers—so that the toiling millions, equally with the leisured few, will legally obtain their fair share of the Profit, the Surplus Wealth, the Dividend resulting from the co-operation of all the workers—“*Unto each according to his work.*”

This constant and periodic wide diffusion of wealth among the toiling millions will also effectually prevent the coming into existence of that limited number of men whose vast private wealth, steadily increasing under existing economic conditions, enables them to exercise an overwhelming influence over other classes of society, which threatens with thralldom the Governments of the nations of the earth.

JAS. C. SMITH.

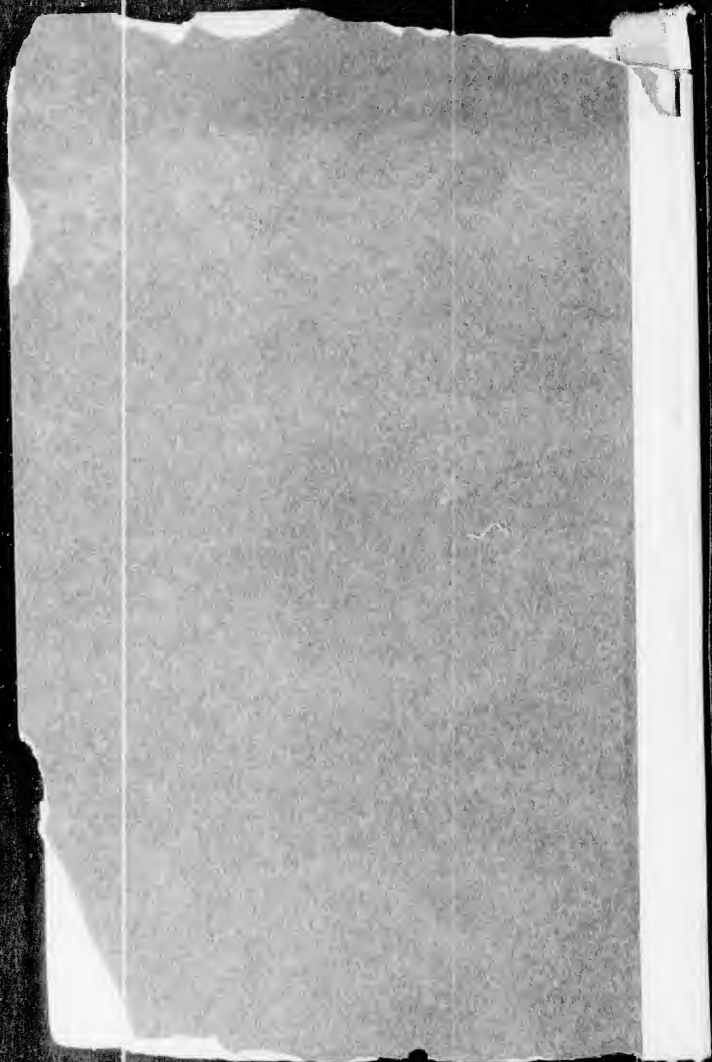
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